

A snapshot of the world economy June 2022

Inflation at levels not seen for 40 years

more than **7%** G7

annual change in consumer prices index or CPI

Source: Refinitiv, Schroders Economics Group, 13 June 2022

Rising food and oil prices have played a role, but are not the whole story...

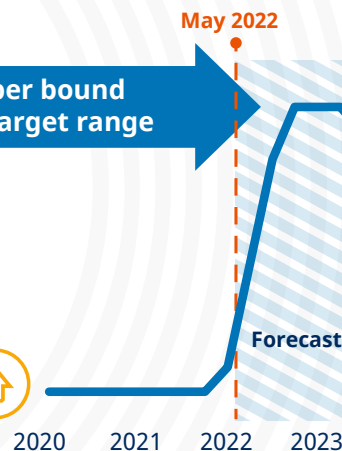
...the rapid rebound in economic growth and emergence of bottlenecks in supply chains have also played their part

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Could interest rate rises give way to cuts in 2023?

We expect the Federal Reserve (Fed) in the US to continue to tighten policy aggressively and further increase the federal funds rate target range

Upper bound of target range



Higher rates dampen economic activity and it may not be long before the Fed has to reverse course as the economy slows

What does a weaker yen mean for the Japanese economy?

multi-decade low Japanese yen versus the US dollar

Many manufacturers have moved to lower-cost countries so:

benefit of a weaker currency is reduced

Increased energy dependency after Fukushima nuclear disaster in 2011 makes decline more of an inflationary threat than in the past

USD/JPY



Source: Schroders as at June 2022.

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